

Tuesday, September 18, 2007

Aernnova picks Pittsfield for 600-person engineering operation

BY NATHAN BOMEY

nbomey@mbizreview.com

The Spanish aerospace company Grupo Aernnova has selected Pittsfield Township as the site for its first foreign engineering center, an operation that could eventually have 600 employees.

The company, more commonly referred to as Aernnova, is expected to invest \$10 million to establish Aernnova Engineering U.S. Inc. in the Valley Ranch Business Park in Pittsfield near Ellsworth and Lohr roads. The operation will focus strictly on engineering with no manufacturing capacity.

The firm expects to hire 400 workers within four to five years and projects that it will eventually expand to 600 over a 15-year period.

Luis Perez, Aernnova senior vice president, said the company was looking for a location with broad availability of talent and an excellent engineering school nearby.

The company, which also considered 15 other states, eventually narrowed its decision to Ann Arbor, Atlanta and Austin, Texas. He cited the University of Michigan, the quality of life in Ann Arbor and the availability of talented engineers as key factors in the company's decision.

"We believe this is a good opportunity to approach this market from the U.S.," Perez said. "We believe that this is the right place."

Aernnova received a tax credit worth \$18.5 million over 15 years from the state and is expected to receive a 12-year, \$400,000 tax abatement from Pittsfield.

Gov. Jennifer Granholm is expected to announce Aernnova's decision in a press conference today at 1 p.m. in Lansing with University of Michigan President Mary Sue Coleman, Ann Arbor SPARK officials and Aernnova executives.

Aernnova is working with the McMullen Company and is expected to move into the Ponds South Office Center at 3891 Ranchero Dr, said Ted McMullen of McMullen Company.

The engineering operation will create an estimated 657 indirect jobs, according to an analysis conducted by the Michigan Economic Development Corp.

The company is still finalizing leasing details for the operation. But officials hope to start the operation by mid-November and expand to 20 to 25 workers by the end of the year.

Aernnova also considered the city of Ann Arbor, Ann Arbor Township, the city of Saline and possibly others (Business Review, Aug. 9-16). The company worked closely with Ann Arbor SPARK throughout its search process, which started in February.

The decision is the culmination of a process that began in February after Aernnova President Iñaki Lopez Gandasegui wrote in the company's 2006 annual report: "The international development of Aernnova is vital for us, which is why we have decided to establish an engineering facility in the USA in order to serve the large American aerospace market."

The visibility of the local aerospace industry is sure to increase with Aernnova's decision to start the engineering operation here - its first engineering facility outside of Spain and third altogether. The global company has 3,050 employees and its customers include companies such as Boeing, Airbus, Embraer, Sikorsky and Bombardier.

Michael Finney, CEO of Ann Arbor SPARK, said Aernnova's decision to come to Ann Arbor gives the community a "significant international business attraction component" that will boost SPARK's efforts to market the community globally.

"We think that Aernnova coming here and having a favorable experience with our state and our community will allow them to provide a very favorable reference for Ann Arbor" with other contacts in industry and Europe, Finney said.

Finney said it's critical for Michigan to realize that its key competitors are located throughout the country and the globe - not just in the Midwest.

"We really are competing on a national and an international basis and that, I think, is the right target for our community," he said.

J. Gregory Sweeney, principal of Port Townsend, Wash.-based JGS International Advisors, helped Aernnova search for a location in America that would best suit the company's needs.

Sweeney said the company considered places like Phoenix, which has a booming aerospace industry, but opted against jumping into the fray.

"We quickly realized you're the last guy in, in a tight, competitive market," Sweeney said. "We knew we had to dig a little deeper, find a place where there are resources you can tap."

The United States represents about 60 percent of the global aerospace market, Perez said. That reality, in addition to a favorable Euro-to-dollar currency exchange rate, made the decision to locate an engineering operation in the United States a strong choice, he said.

The company hopes to target additional business with American firms such as Boeing.

As the domestic auto industry restructures, the state's political and economic leaders have focused on retooling the extensive regional network of engineering talent for different industries.

Aernnova is perhaps the first major example of a company in a different sector of the economy that located here after identifying the engineering base in southeast Michigan as a source of future employees.

"The region seems to have very good skilled engineers available similar to what we will be looking for," Perez said.

Juan Carlos Ortiz, managing director of Aernnova Engineering U.S., said the company uses a standard software suite called CATIA (Computer Aided Three-Dimensional Interactive Application) that is used to design aerospace equipment. The program is also used by engineers at automotive companies.

Sweeney said engineers from Chrysler, Ford and Toyota use the software and that General Motors is considering using it.

Aernnova's Pittsfield Township operation will focus on design and optimization of composite and metal aerostructures.

The township operation will focus strictly on engineering, although the company also has manufacturing and product services capability elsewhere.

The local aerospace industry includes companies like General Dynamics' 450-person Michigan Research & Development Center in Ypsilanti Township and Liebherr Aerospace in Saline.

Aernnova officials cited the University of Michigan's mechanical engineering and aerospace engineering departments as important factors in their decision to locate a facility in the Ann Arbor area.

Sweeney said reasonable proximity of an "excellent engineering university was critical very early."

The other two major cities the company considered, Atlanta and Austin, have well-regarded engineering schools of their own, Georgia Tech University and the University of Texas at Austin.

U-M has more than 180 graduate students in aerospace engineering. The university also produced 16 doctoral graduates in aerospace engineering in 2006.

Elizabeth Parkinson, director of marketing and public relations for SPARK, said the need for talented workers and the desire to be close to U-M and Eastern Michigan University are common themes among companies interested in this area.

"We can't underemphasize the role the universities have," she said. "Probably 80 percent of our deals emphasize our institutions of higher learning."

Finney credited the university for playing a major role in convincing Aernnova to come here. He said several U-M officials wrote or spoke to Aernnova executives about Ann Arbor, including President Mary Sue Coleman, Vice President for Research Stephen Forrest, Vice President for Government Relations Cynthia Wilbanks and Daryl Weinert, senior director of corporate and government relations in the College of Engineering.

"The role that major universities play in this state in economic development is becoming very important and the fact that u-m is embracing this role is making our job that much easier," Finney said.

Aernnova is formerly the aeronautical division of Grupo Gamesa Corporacion Tecnologica. The company dates back to 1986, when it was called Fibertecnic. Gamesa Aeronautic was formed in 1993.

Aernnova - a private firm owned by Synergy Industry and Technology S.A. - spun out of Gamesa in April 2006. It is not to be confused with Aeronova S.L., which is a different Spanish aerospace company.

Aernnova has been expanding quickly. It had 2,640 employees in 2005 and 2,898 in 2006. Of the 258 people added that year, 140 were in engineering, according to the company's 2006 annual report.

Contact Nathan Bomey at (734) 302-1725.